

# HABIBMETRO

## HALF YEARLY ACCOUNTS

# 2019



[Subsidiary of Habib Bank AG Zurich]

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هَذَا فَضْلُكَ



# OUR VISION

To be the most respected financial institution  
based on trust, service and commitment



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### CHAIRMAN

Mohamedali R. Habib

#### PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

#### DIRECTORS

Ali S. Habib

Anjum Z. Iqbal

Firasat Ali

Mohomed Bashir

Muhammad H. Habib

Sohail Hasan

Tariq Ikram

### BOARD COMMITTEES

#### AUDIT

Ali S. Habib

Anjum Z. Iqbal

Sohail Hasan

#### CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

#### HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohsin A. Nathani

Tariq Ikram

#### COMPANY SECRETARY

Ather Ali Khan

#### REGISTERED OFFICE

Ground Floor, Spencer's Building,

I. I. Chundrigar Road,

Karachi – 74200, Pakistan.

#### INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

#### RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

#### SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B

S.M.C.H.S., Main Shahra-e-Faisal

Karachi - 74400.

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## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the un-audited accounts for the Half Year ended 30th June 2019.

A significant reduction of 31.7 percent was witnessed in the current account deficit during July-June FY19. This improvement was primarily driven by a curtailment in imports and a healthy growth in workers' remittances. While export volumes have grown, the values remain flat due to a fall in unit prices. The fiscal deficit deteriorated in FY19, due to a substantial shortfall in revenue collection, higher interest payments and security related expenditures. Going forward, fiscal discipline is expected to improve through an ambitious target for tax collection and tight control over expenditures. Private sector credit growth also witnessed a deceleration in FY19. Private sector credit was augmented by 11.4 percent during FY19, compared to a higher growth of 14.8 percent in the previous period, with growth being primarily driven by higher input prices that led to increased working capital requirements.

The GDP growth for FY19 is being provisionally estimated at 3.3 percent. Broad-based indicators currently suggest a slow down in economic activity. However, going forward, a modest pick-up in economic activity is expected due to improvements in market and investor sentiments, growth in the agriculture sector and impact of government incentives for export industries. Accordingly, the SBP forecasts a real GDP growth of around 3.5 percent in FY20.

With the disbursement of first tranche of the IMF Extended Fund Facility, the SBP's foreign exchange reserves increased to USD 8 billion by mid-July 2019, and going forward are expected to further increase due to the commitments from multi-lateral and bi-lateral partners and the activation of the Saudi oil facility, which will contribute towards an improved current account deficit in FY20.

Inflation rose considerably to 7.3 percent in FY19 due to higher government borrowing from the SBP, exchange rate depreciation and rising food and fuel prices. CPI inflation marked at 8.9 percent in June 2019 and is expected to rise in the near term due to the impact of FY20 budget. As per SBP projection, inflationary pressures are expected to further increase during the fiscal year, with inflation being forecasted to average at 11 - 12 percent in FY20.

During the period under review, the SBP raised the policy rate by 250bps to 12.25 percent. On 16th July 2019, the SBP has further raised the policy rate by 100 bps to 13.25 percent.

By the Grace of Allah, HabibMetro continues to maintain its performance. The Bank's investments, advances and deposits grew to Rs. 399,405 million, Rs. 272,915 million and Rs. 592,009 million respectively as at 30th June 2019.

The Bank posted a profit before tax of Rs. 5,699 million for the Half Year ended 30th June 2019 as against Rs. 4,747 million for the corresponding period last year, an increase of 20 percent. The profit after tax for the Half Year ended 30th June 2019 was Rs. 3,176 million which translates into an earnings per share of Rs. 3.03.

The Bank continues to enjoy AA+ (Double A Plus) ratings for long term and A1+ (A one plus) ratings for short term by the Pakistan Credit Rating Agency Limited (PACRA) for the eighteenth consecutive year. These ratings denote a very high credit quality, a very low expectation of credit risk, and a very strong capacity for timely payment of financial commitments.

With a network of 354 branches in 112 cities across Pakistan including 31 Islamic banking branches and 219 Islamic banking windows, HabibMetro provides comprehensive banking services and products. These include specialized trade finance products, besides an array of products and services like secured SMS and Web & Mobile Banking services, globally accepted Visa Card and nationwide ATM network.

In the end, I would like to take this opportunity to place on record our sincere gratitude to the Ministry of Finance, the State Bank of Pakistan, and the Securities and Exchange Commission of Pakistan for their support and continued guidance. I would also like to thank our valued customers for their trust and support. Lastly, I would like to thank the staff of HabibMetro for their continued dedication and hard work.

On behalf of the Board

**MOHSIN A. NATHANI**

President & Chief Executive Officer

Karachi: 22 August 2019

30 جون 2019 کو ختم ہونے والی ششماہی کیلئے بینک کا قبل از ٹیکس منافع 5,699 ملین روپے رہا جو کہ گزشتہ سال کی اسی ششماہی کے قبل از ٹیکس منافع 4,747 ملین روپے سے 20 فیصد زائد ہے۔ 30 جون 2019 کو ختم ہونے والی ششماہی کیلئے بعد از ٹیکس منافع 3,176 ملین روپے رہا جو کہ فی حصص آمدنی کے تناسب سے 3.03 روپے بنتا ہے۔

بینک مسلسل اٹھارہ سال سے پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے AA+ (ڈبل اے پلس) برائے طویل مدتی اور A1+ (اے ون پلس) برائے قلیل مدتی ریٹنگ حاصل کر رہا ہے جو اعلیٰ کریڈٹ کے معیار، کریڈٹ رسک کی کمی اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

پاکستان بھر میں 112 شہروں میں 354 شاخوں بشمول 31 اسلامک بینکنگ کی شاخوں اور 219 اسلامک بینکنگ ونڈوز کے ساتھ حبیب میٹرو بینک بہترین اور مکمل بینکاری خدمات اور پروڈکٹس فراہم کرتا ہے۔ ان میں خصوصی تجارتی مالیاتی پروڈکٹس اور بہت سے دوسرے پروڈکٹس اور خدمات جیسے محفوظ SMS اور ویب اینڈ موبائل بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کیلئے ATM نیٹ ورک شامل ہیں۔

آخر میں اس موقع پر میں صدق دل سے وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے تعاون اور ہدایات کیلئے شکر گزار ہوں۔ میں اپنے محترم اور قابل قدر کسٹمرز کا بھی ان کے اعتماد اور معاونت پر شکریہ ادا کرتا ہوں۔ میں حبیب میٹرو پولیٹن بینک کے اسٹاف کا بھی مشکور ہوں جنہوں نے مستقل طور پر محنت اور جانفشانی سے کام کیا۔

منجانب بورڈ

**محسن اے۔ ناتھانی**  
صدر و چیف ایگزیکٹو آفیسر

کراچی: 22 اگست 2019

## ڈائریکٹرز رپورٹ

میں نہایت مسرت کے ساتھ حبیب میٹروپولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019 کو ختم ہونے والی ششماہی کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کر رہا ہوں۔

مالی سال 2019 کے دوران کرنٹ اکاؤنٹ خسارے میں 31.7 فیصد کی واضح کمی دیکھی گئی۔ یہ بہتری ابتدائی طور پر درآمدات میں کمی اور محنت کشوں کی زیر ترسیل میں نمایاں اضافے کے باعث ممکن ہوئی۔ برآمدی حجم میں اضافہ ہوا تاہم یونٹ پرائسز میں کمی کے باعث برآمدات کی قدر ہموار رہی۔ مالی سال 2019 میں ریونیو کی وصولیاتی میں نمایاں کمی، سود کی بھاری ادائیگیوں اور سیکورٹی سے متعلق اخراجات کے باعث مالیاتی خسارہ بدتر رہا۔ مستقبل میں ٹیکس وصولی کے بلند اہداف اور اخراجات میں کمی کے ذریعے مالیاتی ڈسپلن میں بہتری کی توقع ہے۔ نجی شعبے کی کریڈٹ گروتھ میں مالی سال 2019 کے دوران کمی دیکھی گئی۔ نجی شعبے کے کریڈٹ مالی سال 2019 کے دوران 11.4 فیصد تک بہتر ہوئے جس میں گزشتہ سال کی اسی مدت کے دوران 14.8 فیصد کا اضافہ ہوا تھا۔ حالیہ اضافہ بلند تر ان پٹ نرخوں کے باعث ہوا جس کے نتیجے میں ورکنگ کیپٹل کی ضروریات بڑھیں۔

مالی سال 2019 کیلئے جی ڈی پی گروتھ کا عبوری تخمینہ 3.3 فیصد دکھایا گیا ہے۔ موجودہ وسیع البیاد اشاریے سست رفتار معاشی سرگرمی کو ظاہر کرتے ہیں تاہم آگے بڑھتے ہوئے اقتصادی سرگرمیوں میں تیز رفتاری کا امکان ہے جن کی وجہ مارکیٹ اور سرمایہ کاری کے رجحانات میں بہتری، زراعت کے شعبے میں فروغ اور برآمدی صنعتوں کے لئے سرکاری مراعات کے اثرات ہیں اس کے مطابق مالی سال 2020 میں ایس بی پی نے جی ڈی پی گروتھ میں لگ بھگ 3.5 فیصد کی پیش گوئی کی ہے۔

آئی ایم ایف کی جانب سے قرضے کی پہلی قسط کی ادائیگی کے بعد ایس بی پی کے زرمبادلہ کے ذخائر وسط جولائی 2019 تک بڑھ کر 8 بلین امریکی ڈالر ہو گئے جس میں دو طرفہ اور کثیرالجہتی ذرائع کے تعاون اور سعودی تیل کی سہولت کے آغاز کے باعث مزید بڑھنے کی توقع ہے جس کے نتیجے میں کرنٹ اکاؤنٹ خسارے میں بہتری ہوگی۔

مالی سال 2019 میں ایس بی پی سے حکومت کے بھاری قرضہ جات، زرمبادلہ کی شرح میں کمی اور خوراک اور پیٹرول کے بڑھتے ہوئے نرخ کے باعث افراط زر 7.3 فیصد تک بڑھ گیا۔ سی پی آئی افراط زر جون 2019 میں 8.9 فیصد تک پہنچا اور مالی سال 2020 کے بجٹ کے اثرات کے باعث آئندہ مدت میں بڑھنے کی توقع ہے ایس بی پی کے تخمینے کے مطابق افراط زر کے دباؤ کے بارے میں توقع ہے کہ مالی سال کی دوسری ششماہی میں اس شرح میں مزید اضافہ ہوگا اور افراط زر مالی سال 2020 میں اوسط 11-12 فیصد رہنے کی پیش گوئی کی گئی ہے۔

زیر جائزہ مدت کے دوران ایس بی پی نے پالیسی ریٹ کو 250 بی پی ایس کا اضافہ کر کے 12.25 فیصد تک بڑھایا۔ 16 جولائی 2019 کو ایس بی پی نے پالیسی ریٹ مزید 100 بی پی ایس سے بڑھا کر اسے 13.25 فیصد کر دیا۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو نے اپنی کارکردگی کا تسلسل برقرار رکھا۔ 30 جون 2019 کو بینک کی سرمایہ کاری، ایڈوانسز اور ڈپازٹس بڑھ کر بالترتیب 399,405 ملین روپے، 272,915 ملین روپے اور 592,009 ملین روپے ہو گئے۔

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## **INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF HABIB METROPOLITAN BANK LIMITED**

### **Report on review of Interim Financial Statements**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

#### **Other Matter**

The figures for the quarter ended 30 June 2019 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is Amyn Pirani.

Karachi: 27 August 2019

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	84,573,941	48,177,009
Balances with other banks	7	1,621,024	1,115,557
Lendings to financial institutions	8	21,148,260	11,984,795
Investments	9	399,404,724	346,665,904
Advances	10	272,914,633	226,689,617
Fixed assets	11	7,602,079	3,899,579
Intangible assets	12	69,089	121,442
Deferred tax assets	13	5,759,987	5,821,182
Other assets	14	45,789,684	28,920,696
		<b>838,883,421</b>	<b>673,395,781</b>
<b>LIABILITIES</b>			
Bills payable	15	14,363,746	12,173,407
Borrowings	16	150,674,025	51,347,381
Deposits and other accounts	17	592,009,324	543,577,510
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	44,293,014	29,295,527
		<b>801,340,109</b>	<b>636,393,825</b>
<b>NET ASSETS</b>			
		<b>37,543,312</b>	<b>37,001,956</b>
<b>REPRESENTED BY</b>			
Share capital		10,478,315	10,478,315
Reserves		16,902,913	16,267,793
(Deficit) / surplus on revaluation of assets - net of tax	19	(6,130,078)	(5,573,656)
Unappropriated profit		16,292,162	15,829,504
		<b>37,543,312</b>	<b>37,001,956</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20		

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**SOHAIL HASAN**  
Director

**TARIQ IKRAM**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019		30 June 2018	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned	22	16,670,668	30,674,001	9,933,452	19,781,804
Mark-up / return / interest expensed	23	(12,559,027)	(22,068,472)	(5,850,727)	(11,997,902)
Net mark-up / interest income		4,111,641	8,605,529	4,082,725	7,783,902
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	24	1,246,294	2,433,483	939,465	1,863,259
Dividend income		15,681	36,169	37,363	43,168
Foreign exchange income		901,088	1,358,716	468,598	739,575
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	(729,312)	(718,734)	68,974	87,123
Other income	26	99,257	205,703	80,007	394,589
Total non-mark-up / interest income		1,533,008	3,315,337	1,594,407	3,127,714
Total Income		5,644,649	11,920,866	5,677,132	10,911,616
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	27	3,075,114	6,177,296	2,891,371	5,624,521
Workers welfare fund		50,000	110,000	48,000	96,000
Other charges	28	40,581	41,295	14,644	14,802
Total non-mark-up / interest expenses		(3,165,695)	(6,328,591)	(2,954,015)	(5,735,323)
Profit before provisions		2,478,954	5,592,275	2,723,117	5,176,293
(Provisions) / reversal and write offs - net	29	240,485	106,857	(331,716)	(429,137)
Extra ordinary / unusual items		—	—	—	—
<b>PROFIT BEFORE TAXATION</b>		2,719,439	5,699,132	2,391,401	4,747,156
Taxation	30	(1,052,435)	(2,523,533)	(1,017,739)	(1,799,924)
<b>PROFIT AFTER TAXATION</b>		1,667,004	3,175,599	1,373,662	2,947,232
Rupees					
<b>Basic and diluted earnings per share</b>	31	1.59	3.03	1.31	2.81

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**SOHAIL HASAN**  
Director

**TARIQ IKRAM**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2019

	30 June 2019		30 June 2018	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation	1,667,004	3,175,599	1,373,662	2,947,232
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss in subsequent periods:</b>				
Movement in (deficit) on revaluation of investments - net of tax	(1,089,336)	(554,998)	(581,842)	(1,833,157)
<b>Items that will not be reclassified to profit and loss in subsequent periods:</b>				
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(2,460)	16,418	(27,831)	(16,485)
<b>Total comprehensive income</b>	<b>575,208</b>	<b>2,637,019</b>	<b>763,989</b>	<b>1,097,590</b>

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**SOHAIL HASAN**  
Director

**TARIQ IKRAM**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

# **UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Reserves					Surplus / (deficit) on revaluation		Un-appropriated profit	Total
	Share capital	Share premium	Statutory reserve	Special reserve	Revenue reserve	Investments	Non-banking assets		
	Rupees in '000								
Balance as at 1 January 2018	10,478,315	2,550,985	10,744,330	240,361	1,500,000	759,367	182,331	14,042,566	40,498,255
Profit after taxation	-	-	-	-	-	-	-	2,947,232	2,947,232
Other comprehensive income - net of tax	-	-	-	-	-	(1,833,157)	-	(16,485)	(1,849,642)
Total comprehensive income for the period	-	-	-	-	-	(1,833,157)	-	2,930,747	1,097,590
Transfer to statutory reserve	-	-	589,446	-	-	-	-	(589,446)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,424)	1,424	-
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2017	-	-	-	-	-	-	-	(3,143,494)	(3,143,494)
Balance as at 30 June 2018	10,478,315	2,550,985	11,333,776	240,361	1,500,000	(1,073,790)	180,907	13,241,797	38,452,351
Profit after taxation	-	-	-	-	-	-	-	3,213,352	3,213,352
Other comprehensive income - net of tax	-	-	-	-	-	(4,679,327)	-	15,580	(4,663,747)
Total comprehensive income for the period	-	-	-	-	-	(4,679,327)	-	3,228,932	(1,450,395)
Transfer to statutory reserve	-	-	642,671	-	-	-	-	(642,671)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,446)	1,446	-
Balance as at 31 December 2018	10,478,315	2,550,985	11,976,447	240,361	1,500,000	(5,753,117)	179,461	15,829,504	37,001,956
Profit after taxation	-	-	-	-	-	-	-	3,175,599	3,175,599
Other comprehensive income - net of tax	-	-	-	-	-	(554,998)	-	16,418	(538,580)
Total comprehensive income for the period	-	-	-	-	-	(554,998)	-	3,192,017	2,637,019
Transfer to statutory reserve	-	-	635,120	-	-	-	-	(635,120)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(1,424)	1,424	-
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 2.00 per share) for the year ended 31 December 2018	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 30 June 2019	10,478,315	2,550,985	12,611,567	240,361	1,500,000	(6,308,115)	178,037	16,292,162	37,543,312

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**SOHAIL HASAN**  
Director

**TARIQ IKRAM**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019	30 June 2018
Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		5,699,132	4,747,156
Less: Dividend income		(36,169)	(43,168)
		<u>5,662,963</u>	<u>4,703,988</u>
<b>Adjustments</b>			
Depreciation on operating fixed assets		472,804	399,211
Depreciation on right-of-use assets		354,141	–
Depreciation on non banking assets		5,577	6,377
Amortization		59,774	62,377
Mark-up / return / interest expensed on lease liability			
against right-of-use assets		228,766	–
(Reversals) / provisions and write offs excluding recovery of			
written off bad debts	29	(103,327)	476,981
Net gain on sale of fixed assets		(9,526)	(907)
Net gain on sale of non-banking assets	26	–	(202,282)
Net gain on sale of non-current assets held-for-sale	26	–	(35,042)
Provision against workers welfare fund		110,000	96,000
Provision against compensated absences		26,708	37,620
Provision against defined benefit plan		85,486	73,839
		<u>1,230,403</u>	<u>914,174</u>
		<u>6,893,366</u>	<u>5,618,162</u>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(9,163,465)	1,129,755
Advances		(46,089,969)	(17,438,796)
Other assets (excluding current taxation)		(15,431,562)	(1,054,911)
		<u>(70,684,996)</u>	<u>(17,363,952)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		2,190,339	(6,373,176)
Borrowings from financial institutions		97,886,448	9,807,938
Deposits and other accounts		48,431,814	13,007,625
Other liabilities (excluding current taxation)		9,288,555	(693,886)
		<u>157,797,156</u>	<u>15,748,501</u>
		<u>94,005,526</u>	<u>4,002,711</u>
Payment against compensated absences		(16,347)	(23,420)
Income tax paid		(2,531,115)	(1,976,359)
		<u>91,458,064</u>	<u>2,002,932</u>
<b>Net cash flows from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(53,665,534)	9,013,804
Net investments in held-to-maturity securities		41,150	(1,569,429)
Dividend received		6,502	103,002
Investments in fixed assets	11.2	(738,469)	(336,133)
Investments in intangibles assets		(7,420)	(7,647)
Proceeds from sale of fixed assets		14,443	10,751
Proceeds from sale of non-banking assets		–	600,000
Proceeds from sale of non-current assets held-for-sale		–	250,000
		<u>(54,349,328)</u>	<u>8,064,348</u>
<b>Net cash flows from investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(1,294,803)	(3,113,847)
Payment of lease against right-of-use assets		(351,730)	–
		<u>(1,646,533)</u>	<u>(3,113,847)</u>
<b>Net cash flows from financing activities</b>			
<b>Increase in cash and cash equivalents</b>		<u>35,462,203</u>	<u>6,953,433</u>
Cash and cash equivalents at beginning of the period		<u>46,103,870</u>	<u>41,571,637</u>
<b>Cash and cash equivalents at end of the period</b>		<u><u>81,566,073</u></u>	<u><u>48,525,070</u></u>

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**SOHAIL HASAN**  
Director

**TARIQ IKRAM**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## **NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE HALF YEAR ENDED 30 JUNE 2019

### **1. STATUS AND NATURE OF BUSINESS**

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 324 (31 December 2018: 322) branches, including 31 (31 December 2018: 31) Islamic banking branches and 30 (31 December 2018: 30) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

The registered office of the Bank is situated at Spencer's Building, I.I. Chundrigar Road, Karachi.

### **2. BASIS OF PRESENTATION**

**2.1** These unconsolidated condensed interim financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary companies are being separately issued.

#### **2.2 Statement of Compliance**

**2.2.1** These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IAS 34 or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after

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1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of Banks. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats.

**2.2.2** The disclosures and presentations made in these unconsolidated condensed interim financial statements are based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the audited unconsolidated financial statements of the Bank for the year ended 31 December 2018.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and method of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited unconsolidated financial statements of the Bank for the year ended 31 December 2018 except for the changes explained in note 3.1 to these financial statements.

#### **3.1 Amendments to approved accounting standards that are effective in the current period**

**3.1.1** IFRS 16 became effective for annual reporting period commencing on or after 1 January 2019. The impact of the adoption of IFRS 16 is given in note 3.2 to these financial statements.

**3.1.2** In addition, as mentioned in note 2.2.2 above, the disclosures and the presentations in the condensed interim financial statements are on a format prescribed by the State Bank of Pakistan vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, "Interim Financial Reporting". Earlier upto 30 June 2018, the disclosures and presentations were in accordance with the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated 12 May 2004 and BPRD Circular Letter No. 5 dated 29 February 2016 and IAS 34 "Interim Financial Reporting". However the adoption of the new format has only resulted in certain additional disclosures and presentations. Corresponding figures have also been so presented.

**3.1.3** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore are not detailed in these unconsolidated condensed interim financial statements.

#### **3.2 Adoption of International Financial Reporting Standards (IFRS) 16 - Leases**

**3.2.1** On 1 January 2019, the Bank adopted IFRS 16 Leases. This IFRS has introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 - Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 13.24 percent.



The impact of IFRS 16 on the Bank is primarily where the Bank is a lessee in property lease contracts. The Bank has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Bank recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Bank's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet has increased as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019 was Rs. 3,487,447 thousand with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the Bank has recognized depreciation and interest costs, instead of operating lease expenses.

The Bank has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments or accruals under operating leases were recognised in profit and loss on a straight line basis over term of the lease.

The effect of this change in accounting policy is as follows:

## Impact on Statement of Financial Position

Increase in fixed assets - right-of-use assets	3,441,752
Decrease in other assets - advances, deposits and other prepayments	(215,683)
Increase in other assets - taxation	53,981
	<u>3,280,050</u>
Increase in other liabilities - lease liability against right-of-use assets	<u>(3,364,483)</u>
Decrease in net assets	<u>(84,433)</u>

**30 June  
2019**  
Rupees in '000

## Impact on Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(228,766)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(354,141)
- Rent expense	444,493
Decrease in profit before tax	<u>(138,414)</u>
Decrease in tax	53,981
Decrease in profit after tax	<u>(84,433)</u>

**Half year  
ended  
30 June  
2019**  
Rupees in '000

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**3.2.2** In view of the application of above IFRS, the Bank's accounting policy for right-of-use assets and its related lease liability is as follow:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Bank mainly leases properties for its operations. The Bank recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

**3.3** Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year.

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year. These are not likely to have material effect on the Bank's financial statements except for the following:

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on the recognition and derecognition of financial instruments from IAS 39. The Securities and Exchange Commission of Pakistan vide its notification dated 14 February 2019 modified the effective date for implementation of IFRS 9 as 'reporting period/ year ending on or after 30 June 2019 (earlier application is permitted)'. State Bank of Pakistan has also informed the Bank that keeping in view the implementation challenges of IFRS 9 and representations by the banking industry, it has been decided that IFRS 9 is not applicable on the interim financials for the period ending 30 June 2019 for banks/DFIs/MFBs. Accordingly, the requirements of IFRS 9 have not been considered in the preparation of these financial statements. The Bank is in the process of assessing the full impact of this standard.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as that applied in the preparation of the audited unconsolidated financial statements for the year ended 31 December 2018.

#### **5. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the audited unconsolidated financial statements for the year ended 31 December 2018.

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		11,975,485	7,657,613
Foreign currencies		5,640,999	2,013,643
		<b>17,616,484</b>	9,671,256
<b>With State Bank of Pakistan in</b>			
Local currency current account		38,619,230	20,272,252
Foreign currency current account		171,861	244,068
Foreign currency deposit accounts			
– cash reserve account		4,988,664	4,151,971
– special cash reserve account		14,792,972	12,370,079
		<b>58,572,727</b>	37,038,370
<b>With National Bank of Pakistan in</b>			
Local currency current account		2,915,101	1,443,318
<b>National Prize Bonds</b>		5,469,629	24,065
		<b>84,573,941</b>	48,177,009
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		90,160	94,005
In deposit accounts		383,622	208,066
		<b>473,782</b>	302,071
<b>Outside Pakistan</b>			
In current accounts		1,147,242	813,486
		<b>1,621,024</b>	1,115,557
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		–	3,000,000
Repurchase agreement lendings (Reverse Repo)		2,993,889	4,184,795
Bai-muajjal receivable with the State Bank of Pakistan	8.1	12,654,371	–
Letter of placement		1,000,000	3,800,000
Musharaka placements	8.2	4,500,000	1,000,000
		<b>21,148,260</b>	11,984,795

8.1 These will mature upto 18 March 2020 and the maturity amount is Rs. 13,691,477 thousand.

8.2 These placements carry rates ranging between 11.10% to 11.70% per annum with maturity upto 29 July 2019.

## 9. INVESTMENTS

### 9.1 Investments by types

	30 June 2019 (Un-Audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Available-for-sale securities</b>								
Federal government securities	361,817,626	—	(9,706,501)	352,111,125	307,815,954	—	(8,965,814)	298,850,140
Shares	655,236	(307,280)	46,803	394,759	655,236	(273,810)	59,396	440,822
Non-government debt securities	4,620,596	(133,777)	(21,314)	4,465,505	4,956,734	(138,428)	16,532	4,834,838
Mutual funds	417,571	(8,654)	(23,781)	385,136	417,571	(5,753)	38,937	450,755
	<u>367,511,029</u>	<u>(449,711)</u>	<u>(9,704,793)</u>	<u>357,356,525</u>	<u>313,845,495</u>	<u>(417,991)</u>	<u>(8,850,949)</u>	<u>304,576,555</u>
<b>Held-to-maturity securities</b>								
Federal government securities	36,268,199	—	—	36,268,199	36,259,349	—	—	36,259,349
Non-government debt securities	4,950,000	—	—	4,950,000	5,000,000	—	—	5,000,000
	<u>41,218,199</u>	<u>—</u>	<u>—</u>	<u>41,218,199</u>	<u>41,259,349</u>	<u>—</u>	<u>—</u>	<u>41,259,349</u>
<b>Subsidiaries</b>	<u>830,000</u>	<u>—</u>	<u>—</u>	<u>830,000</u>	<u>830,000</u>	<u>—</u>	<u>—</u>	<u>830,000</u>
<b>Total Investments</b>	<u>409,559,228</u>	<u>(449,711)</u>	<u>(9,704,793)</u>	<u>399,404,724</u>	<u>355,934,844</u>	<u>(417,991)</u>	<u>(8,850,949)</u>	<u>346,665,904</u>

**30 June 2019**                      31 December 2018  
(Un-Audited)                      (Audited)  
————— Rupees in '000 —————

#### 9.1.1 Investments given as collateral

##### Federal government securities

Market treasury bills	<b>91,763,229</b>	3,443,636
Pakistan investment bonds	<b>10,077,716</b>	9,165,995
	<u><b>101,840,945</b></u>	<u>12,609,631</u>

### 9.2 Provision for diminution in value of investments

<b>9.2.1</b> Opening balance	<b>417,991</b>	537,372
Charge for the period / year	<b>36,370</b>	100,021
Reversal for the period / year	<b>(4,650)</b>	(14,442)
Net charge for the period / year	<b>31,720</b>	85,579
Reversal on disposal	—	(198,028)
Investment written off	—	(6,932)
Closing balance	<u><b>449,711</b></u>	<u>417,991</u>

### 9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2019 (Un-Audited)		31 December 2018 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
<b>Domestic</b>				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<b>133,777</b>	<b>133,777</b>	138,428	138,428
	<b>133,777</b>	<b>133,777</b>	138,428	138,428

Exposure amounting to Rs. 25,677 thousand (31 December 2018: Rs. 59,913 thousand) relating to term finance certificates of Pakistan International Airlines Corporation Limited, which is government guaranteed script, has not been classified as non-performing investment as per the relaxation given by the SBP.

**9.3** The market value of securities classified as held-to-maturity is Rs. 36,935,798 thousand (31 December 2018: Rs. 37,847,389 thousand).

## 10. ADVANCES

	Performing		Non-Performing		Total	
	30 June 2019 (Un-Audited)	31 December 2018 (Audited)	30 June 2019 (Un-Audited)	31 December 2018 (Audited)	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000					
Loans, cash credits, running finances, etc.						
In Pakistan	210,592,918	172,320,248	14,217,097	14,710,168	224,810,015	187,030,416
Islamic financing and related assets	21,028,434	17,629,691	441,197	503,972	21,469,631	18,133,663
Bills discounted and purchased	40,895,008	35,620,461	2,155,701	2,465,767	43,050,709	38,086,228
Advances - gross	272,516,360	225,570,400	16,813,995	17,679,907	289,330,355	243,250,307
Provision against non-performing advances						
- specific	-	-	(14,942,200)	(15,324,500)	(14,942,200)	(15,324,500)
- general	(1,473,522)	(1,236,190)	-	-	(1,473,522)	(1,236,190)
	(1,473,522)	(1,236,190)	(14,942,200)	(15,324,500)	(16,415,722)	(16,560,690)
Advances - net of provisions	271,042,838	224,334,210	1,871,795	2,355,407	272,914,633	226,689,617

### 10.1 Particulars of advances - gross

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
In local currency	261,469,671	213,632,404
In foreign currencies	27,860,684	29,617,903
	<b>289,330,355</b>	<b>243,250,307</b>

- 10.2** Advances include Rs. 16,813,995 thousand (31 December 2018: Rs. 17,679,907 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2019 (Un-Audited)		31 December 2018 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
<b>Domestic</b>				
Substandard	179,179	22,740	259,378	17,562
Doubtful	335,609	58,817	127,952	2,136
Loss	16,299,207	14,860,643	17,292,577	15,304,802
	<u>16,813,995</u>	<u>14,942,200</u>	<u>17,679,907</u>	<u>15,324,500</u>

- 10.2.1** Exposure amounting to Rs. 5,302,737 thousand relating to certain facilities of Power Holding (Private) Limited, has not been classified as non-performing as the SBP has allowed a relaxation from Regulation - 8 of the Prudential Regulation. The above exposure is fully guaranteed by the Government of Pakistan and does not required any provision.

### 10.3 Particulars of provision against advances

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,324,500	1,236,190	16,560,690	16,168,582	257,841	16,426,423
Charge for the year	507,537	237,332	744,869	936,036	978,349	1,914,385
Reversals	(879,916)	—	(879,916)	(1,482,574)	—	(1,482,574)
Net charge / (reversal) for the period / year	(372,379)	237,332	(135,047)	(546,538)	978,349	431,811
Amount written off	(9,921)	—	(9,921)	(297,544)	—	(297,544)
Closing balance	<u>14,942,200</u>	<u>1,473,522</u>	<u>16,415,722</u>	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>

- 10.3.1** General provision includes provision of Rs. 6,226 thousand (31 December 2018: Rs. 5,134 thousand) made against consumer portfolio and Rs. 95 thousand (31 December 2018: Rs. 35 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

#### 10.3.2 Particulars of provision against advances

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	14,509,486	1,473,522	15,983,008	14,952,295	1,236,190	16,188,485
In foreign currencies	432,714	—	432,714	372,205	—	372,205
	<u>14,942,200</u>	<u>1,473,522</u>	<u>16,415,722</u>	<u>15,324,500</u>	<u>1,236,190</u>	<u>16,560,690</u>

## 10.3.3 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

During the current period, the Bank availed additional forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. This has resulted in reduction of provision against non-performing loans and advances by Rs. 93,551 thousand (31 December 2018: 628,190 thousand). Further, as of 30 June 2019, had the benefit of FSVs (including those availed into previous years) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 1,569,606 thousand (31 December 2018: Rs. 2,096,898 thousand) and accumulated profit would have been lower by Rs. 1,020,244 thousand (31 December 2018: Rs. 1,362,983 thousand). This amount of Rs. 1,020,244 thousand (31 December 2018: Rs. 1,362,983 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Rupees in '000			
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	118,461	142,460
Property and equipment		4,041,866	3,757,119
Right-of-use assets	3.2.1	3,441,752	—
		<u>7,602,079</u>	<u>3,899,579</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		81,691	22,739
Equipment		31,950	110,420
Advance to suppliers		4,820	9,301
		<u>118,461</u>	<u>142,460</u>
<b>Half year ended</b>			
		30 June 2019 (Un-Audited)	30 June 2018
Rupees in '000			
<b>11.2 Additions to fixed assets</b>			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress (transfer to fixed assets) / additions - net		(23,999)	83,525
<b>Property and equipment</b>			
Building on leasehold land		149,102	—
Furniture and fixture		29,616	19,483
Electrical office and computer equipment		458,623	168,677
Vehicles		27,978	35,803
Lease hold improvement		97,149	28,645
		<u>762,468</u>	<u>252,608</u>
Total		<u>738,469</u>	<u>336,133</u>
<b>11.3 Disposal of fixed assets</b>			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		40	89
Electrical office and computer equipment		457	1,191
Vehicles		4,420	6,278
Lease hold improvement		—	2,286
Total		<u>4,917</u>	<u>9,844</u>

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	

## 12. INTANGIBLE ASSETS

Computer software	69,089	121,442
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12.1 The following additions have been made to intangible assets during the period:

	Half year ended	
	30 June 2019 (Un-Audited)	30 June 2018
	Rupees in '000	
<b>Additions:</b>		
- directly purchased	7,420	7,647

## 13. DEFERRED TAX ASSETS

### Deductible temporary differences

Provision for diminution in value of investments	157,399	146,297
Provision for non-performing loans and advances and off - balance sheet items	2,334,439	2,746,495
Deficit on revaluation of investments	3,396,678	3,097,832
Deferred liability on defined benefit plan	61,866	70,706
	5,950,382	6,061,330

### Taxable temporary differences

Surplus on revaluation of non-banking assets	(95,866)	(96,632)
Accelerated depreciation	(94,529)	(143,516)
	(190,395)	(240,148)
<b>Net deferred tax asset</b>	<b>5,759,987</b>	<b>5,821,182</b>



	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
<b>14. OTHER ASSETS</b>			
Income / mark-up / profit accrued in local currency		10,167,197	8,308,015
Income / mark-up / profit accrued in foreign currencies		30,936	29,916
Advances, deposits and other prepayments		425,218	554,859
Advance taxation (payments less provision)		735,173	376,391
Non-banking assets acquired in satisfaction of claims		484,119	487,505
Branch adjustment account		120	63
Mark to market gain on forward foreign exchange contracts		17,460,204	4,206,429
Acceptances		15,792,147	14,429,148
Receivable from the SBP against encashment of government securities		189,273	114,055
Stationery and stamps on hand		68,258	62,236
Dividend receivable		30,436	769
Others		342,700	285,217
		<b>45,725,781</b>	<b>28,854,603</b>
Provision against other assets - operational loss		(210,000)	(210,000)
Other assets (net of provision)		<b>45,515,781</b>	<b>28,644,603</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	273,903	276,093
		<b>45,789,684</b>	<b>28,920,696</b>
<b>15. BILLS PAYABLE</b>			
In Pakistan		<b>14,363,746</b>	<b>12,173,407</b>

		<b>30 June 2019</b> (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
<b>16. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		<b>31,171,116</b>	24,196,093
Under long term financing facility - renewable energy		<b>962,784</b>	962,784
Under long term financing facility - locally manufactured plant and machinery		<b>8,935,332</b>	6,730,915
		<b>41,069,232</b>	31,889,792
Repurchase agreement borrowings (Repo)	16.1	<b>101,732,435</b>	12,658,729
Due against bills rediscounting		<b>3,243,466</b>	3,310,164
		<b>146,045,133</b>	47,858,685
<b>Unsecured</b>			
Call borrowing		—	300,000
Overdrawn nostro accounts		<b>4,623,199</b>	3,183,003
Overdrawn local bank accounts		<b>5,693</b>	5,693
		<b>4,628,892</b>	3,488,696
		<b>150,674,025</b>	51,347,381

16.1 These carry mark-up rates ranging between 12.25 % to 12.42 % per annum and will mature upto 26 July 2019.

## 17. DEPOSITS AND OTHER ACCOUNTS

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	Rupees in '000					
<b>Customers</b>						
Current accounts (non-remunerative)	<b>148,677,524</b>	<b>29,703,316</b>	<b>178,380,840</b>	120,665,276	23,351,234	144,016,510
Savings deposits	<b>129,857,516</b>	<b>20,980,758</b>	<b>150,838,274</b>	122,955,979	17,173,301	140,129,280
Term deposits	<b>180,757,525</b>	<b>50,502,155</b>	<b>231,259,680</b>	179,727,186	43,693,831	223,421,017
Others	<b>9,470,460</b>	<b>1,012</b>	<b>9,471,472</b>	7,984,099	906	7,985,005
	<b>468,763,025</b>	<b>101,187,241</b>	<b>569,950,266</b>	431,332,540	84,219,272	515,551,812
<b>Financial institutions</b>						
Current deposits (non-remunerative)	<b>1,244,348</b>	<b>975,870</b>	<b>2,220,218</b>	1,492,887	942,405	2,435,292
Savings deposits	<b>12,158,930</b>	—	<b>12,158,930</b>	24,280,076	70	24,280,146
Term deposits	<b>7,675,000</b>	<b>4,910</b>	<b>7,679,910</b>	1,306,000	4,260	1,310,260
	<b>21,078,278</b>	<b>980,780</b>	<b>22,059,058</b>	27,078,963	946,735	28,025,698
	<b>489,841,303</b>	<b>102,168,021</b>	<b>592,009,324</b>	458,411,503	85,166,007	543,577,510

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Rupees in '000			
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		<b>8,083,054</b>	6,492,116
Mark-up / return / interest payable in foreign currencies		<b>277,720</b>	362,013
Unearned commission and income on bills discounted		<b>189,296</b>	190,533
Accrued expenses		<b>941,331</b>	692,845
Acceptances		<b>15,792,147</b>	14,429,148
Unclaimed dividend		<b>867,076</b>	66,216
Mark to market loss on forward foreign exchange contracts		<b>11,155,193</b>	3,549,157
Provision for compensated absences		<b>219,225</b>	208,864
Deferred liability on defined benefit plan		<b>259,297</b>	199,072
Provision against off-balance sheet obligations	18.1	<b>113,716</b>	113,716
Workers' welfare fund		<b>1,032,189</b>	922,189
Charity fund		<b>493</b>	291
Excise duty payable		<b>1,062</b>	1,003
Locker deposits		<b>792,753</b>	764,223
Advance against diminishing musharaka		<b>59,594</b>	23,310
Advance rental for ijarah		<b>1,806</b>	2,259
Security deposits against leases / ijarah		<b>218,027</b>	212,178
Sundry creditors		<b>384,156</b>	392,267
Lease liability against right-of-use assets	3.2.1	<b>3,364,483</b>	—
Withholding tax / duties		<b>272,068</b>	289,241
Others		<b>268,328</b>	384,886
		<b>44,293,014</b>	29,295,527
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		<b>113,716</b>	113,716
Charge for the period / year		<b>—</b>	—
Closing balance		<b>113,716</b>	113,716
The above represents provision against certain letters of credit and guarantees.			
<b>19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS</b>			
(Deficit) / surplus on revaluation of			
- Non-banking assets		<b>273,903</b>	276,093
- Available-for-sale securities	9.1	<b>(9,704,793)</b>	(8,850,949)
		<b>(9,430,890)</b>	(8,574,856)
Less: Deferred tax on (deficit) / surplus on revaluation of			
- Non-banking assets		<b>95,866</b>	96,632
- Available-for-sale securities		<b>(3,396,678)</b>	(3,097,832)
		<b>3,300,812</b>	3,001,200
		<b>(6,130,078)</b>	(5,573,656)

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	20.1	<b>61,408,275</b>	53,215,390
Commitments	20.2	<b>409,459,085</b>	322,747,745
Other contingent liabilities	20.3	<b>25,401,940</b>	24,476,694
		<b>496,269,300</b>	400,439,829
<b>20.1 Guarantees</b>			
Financial Guarantees		<b>5,978,479</b>	3,931,150
Performance Guarantees		<b>26,817,595</b>	32,514,435
Other guarantees		<b>28,612,201</b>	16,769,805
		<b>61,408,275</b>	53,215,390
<b>20.2 Commitments</b>			
Documentary credits and short-term trade-related transactions:			
Letters of credit		<b>76,815,611</b>	89,700,969
Commitments in respect of:			
Forward exchange contracts	20.2.1	<b>328,079,236</b>	230,915,612
Operating leases	20.2.2	<b>2,573</b>	110,571
Forward lendings	20.2.3	<b>4,440,923</b>	1,887,433
Acquisition of operating fixed assets		<b>120,742</b>	133,160
		<b>409,459,085</b>	322,747,745
<b>20.2.1 Commitments in respect of forward exchange contracts</b>			
Purchase		<b>188,802,754</b>	136,568,523
Sale		<b>139,276,482</b>	94,347,089
		<b>328,079,236</b>	230,915,612
<b>20.2.2 Commitments in respect of operating leases</b>			
Not later than one year		<b>2,573</b>	110,571
Later than one year and not later than five years		<b>—</b>	—
		<b>2,573</b>	110,571

The above amount includes non-cancellable lease agreements with a Modaraba which has been duly approved by the Religious Board as Ijarah transactions. The monthly rental installments are spread over a period of 36 months. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

### 20.2.3 Commitments in respect of forward lendings

The Bank has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

	Note	<b>30 June 2019</b> (Un-Audited)	31 December 2018 (Audited)
		— Rupees in '000 —	
Commitments in respect of syndicate financing		<b><u>4,440,923</u></b>	<u>1,887,433</u>

## 20.3 Other contingent liabilities

Claims against bank not acknowledged as debt		<b>25,295,884</b>	24,370,638
Foreign exchange repatriation case	20.3.1	<b><u>106,056</u></b>	<u>106,056</u>
		<b><u>25,401,940</u></b>	<u>24,476,694</u>

### 20.3.1 Foreign exchange repatriation case

While adjudicating foreign exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgment. The Honorable High Court has granted relief to Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised mark-to-market gains and losses due on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the Bank's Asset and Liability Committee (ALCO).

## 22. MARK-UP / RETURN / INTEREST EARNED

	Half year ended	
	30 June 2019	30 June 2018
	(Un-Audited)	
	Rupees in '000	
Loans and advances	11,670,651	5,645,977
Investments	15,763,737	13,746,535
Lendings to financial institutions	3,228,384	387,110
Balance with other banks	11,229	2,182
	<u>30,674,001</u>	<u>19,781,804</u>

## 23. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	17,677,587	9,430,634
Borrowings	2,238,787	2,044,491
Foreign currency swap cost	1,923,332	522,777
Lease liability against right-of-use assets	228,766	—
	<u>22,068,472</u>	<u>11,997,902</u>

## 24. FEE & COMMISSION INCOME

Branch banking customer fees	122,844	135,375
Credit related fees	30,292	23,492
Card related fees	178,408	126,200
Commission on trade	1,760,757	1,282,701
Commission on guarantees	228,739	195,907
Commission on remittances including home remittances	14,931	14,255
Commission on bancassurance	57,548	40,554
Others	39,964	44,775
	<u>2,433,483</u>	<u>1,863,259</u>

## 25. GAIN / (LOSS) ON SECURITIES

Realised		
Federal government securities	(725,310)	16,529
Mutual funds	6,576	70,594
	<u>(718,734)</u>	<u>87,123</u>

## 26. OTHER INCOME

Rent on properties	19,143	13,863
Gain on sale of fixed assets - net	9,526	907
Recovery of charges from customers	132,244	100,341
Incidental and service charges	42,723	40,304
Gain on sale of ijarah assets - net	50	74
Gain on sale of non-banking assets	—	202,282
Gain on sale of non-current assets held-for-sale - net	—	35,042
Staff notice period and other recoveries	2,017	1,776
	<u>205,703</u>	<u>394,589</u>

## Half year ended

30 June 2019 30 June 2018

(Un-Audited)

Rupees in '000

## 27. OPERATING EXPENSES

Total compensation expense **2,874,394** 2,726,450

### Property expense

Rent & taxes	<b>155,018</b>	529,059
Insurance	<b>2,490</b>	2,088
Utilities cost	<b>167,345</b>	145,734
Security	<b>231,856</b>	216,377
Repair & maintenance	<b>177,990</b>	188,413
Depreciation	<b>549,820</b>	171,879
	<b>1,284,519</b>	1,253,550

### Information technology expenses

Software maintenance	<b>56,601</b>	15,912
Hardware maintenance	<b>68,954</b>	61,340
Depreciation	<b>71,342</b>	54,149
Amortisation	<b>59,774</b>	62,377
Network charges	<b>97,170</b>	75,296
	<b>353,841</b>	269,074

### Other operating expenses

Directors' fees and allowances	<b>5,698</b>	6,648
Fees and allowances to shariah board	<b>5,137</b>	4,158
Legal & professional charges	<b>73,770</b>	64,723
Outsourced services costs	<b>128,716</b>	113,911
Travelling & conveyance	<b>117,847</b>	81,669
Operating lease rental	<b>7,841</b>	15,582
NIFT clearing charges	<b>37,513</b>	35,261
Depreciation	<b>205,783</b>	173,183
Depreciation - non-banking assets	<b>5,577</b>	6,377
Training & development	<b>12,681</b>	9,636
Postage & courier charges	<b>44,773</b>	39,214
Communication	<b>49,423</b>	46,265
Subscription	<b>77,157</b>	67,437
Brokerage & commission	<b>52,517</b>	51,571
Stationery & printing	<b>110,815</b>	89,199
Marketing, advertisement & publicity	<b>71,489</b>	154,238
Management fee	<b>202,554</b>	174,791
Insurance	<b>254,412</b>	83,087
Donations	<b>50,400</b>	45,620
Auditors' remuneration	<b>8,514</b>	8,714
Others	<b>141,925</b>	104,163
	<b>1,664,542</b>	1,375,447

### Total

**6,177,296** 5,624,521

		Half year ended	
	Note	30 June 2019	30 June 2018
		(Un-Audited)	
		Rupees in '000	
<b>28. OTHER CHARGES</b>			
Penalties imposed by the SBP		<b>41,295</b>	14,802
<b>29. PROVISIONS &amp; WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	9.2.1	<b>31,720</b>	24,481
Provision / (reversal) of provision against loan & advances - net	10.3	<b>(135,047)</b>	493,750
Reversal of provision against other assets		<b>—</b>	(41,250)
Recovery of written off bad debts		<b>(3,530)</b>	(47,844)
		<b>(106,857)</b>	429,137
<b>30. TAXATION</b>			
Current		<b>1,871,785</b>	1,720,102
Prior year		<b>300,548</b>	—
Deferred		<b>351,200</b>	79,822
		<b>2,523,533</b>	1,799,924
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation		<b>3,175,599</b>	2,947,232
		Number in '000	
Weighted average number of ordinary shares		<b>1,047,831</b>	1,047,831
		(Rupees)	
Basic and diluted earnings per share		<b>3.03</b>	2.81

## 32. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investments in subsidiaries and those classified as held-to-maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

### 32.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).



The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

## On balance sheet financial instruments

	30 June 2019 (Un-Audited)				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
<b>Financial assets measured at fair value</b>					
- Investments					
- Available-for-sale securities					
Federal government securities	352,111,125	-	352,111,125	-	352,111,125
Sukuk certificates and bonds	1,329,035	-	1,329,035	-	1,329,035
Ordinary shares of listed companies	366,839	366,839	-	-	366,839
Mutual funds and REIT certificates	385,136	370,256	14,880	-	385,136
Listed term finance certificates	3,110,793	-	3,110,793	-	3,110,793
Unlisted term finance certificates	25,677	-	25,677	-	25,677

## Financial assets not measured at fair value - disclosed but not measured at fair value

- Cash and balances with treasury banks	84,573,941	-	-	-	-
- Balances with other banks	1,621,024	-	-	-	-
- Lendings to financial institutions	21,148,260	-	-	-	-
- Investments					
- Held-to-maturity securities					
Federal government securities	36,268,199	-	-	-	-
Certificates of investments	4,950,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	27,920	-	-	-	-
- Advances	272,914,633	-	-	-	-
- Other assets	44,012,893	-	-	-	-
	<u>822,845,475</u>	<u>737,095</u>	<u>356,591,510</u>	<u>-</u>	<u>357,328,605</u>

## Off-balance sheet financial instruments measured at fair value

- Forward purchase of foreign exchange contracts	<u>205,395,842</u>	<u>-</u>	<u>205,395,842</u>	<u>-</u>	<u>205,395,842</u>
- Forward sale of foreign exchange contracts	<u>128,988,404</u>	<u>-</u>	<u>128,988,404</u>	<u>-</u>	<u>128,988,404</u>

## On balance sheet financial instruments

31 December 2018 (Audited)

	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
Rupees in '000					
<b>Financial assets measured at fair value</b>					
- Investments					
- Available-for-sale securities					
Federal government securities	298,850,140	–	298,850,140	–	298,850,140
Sukuk certificates and bonds	1,417,667	–	1,417,667	–	1,417,667
Ordinary shares of listed companies	412,902	412,902	–	–	412,902
Mutual funds and REIT certificates	450,755	435,855	14,900	–	450,755
Listed term finance certificates	3,357,258	–	3,357,258	–	3,357,258
Unlisted term finance certificates	59,913	–	59,913	–	59,913

### Financial assets not measured at fair value

- Cash and balances with treasury banks	48,177,009	—	—	—	—
- Balances with other banks	1,115,557	—	—	—	—
- Lendings to financial institutions	11,984,795	—	—	—	—
- Investments					
- Held-to-maturity securities					
Federal government securities	36,259,349	—	—	—	—
Certificates of investments	5,000,000	—	—	—	—
- Available-for-sale securities					
Ordinary shares of unlisted companies	27,920	—	—	—	—
- Advances	226,689,617	—	—	—	—
- Other assets	27,373,549	—	—	—	—
	<u>661,176,431</u>	<u>848,757</u>	<u>303,699,878</u>	<u>—</u>	<u>304,548,635</u>

### Off-balance sheet financial instruments measured at fair value

- Forward purchase of foreign exchange contracts	140,141,186	—	140,141,186	—	140,141,186
- Forward sale of foreign exchange contracts	97,365,720	—	97,365,720	—	97,365,720

### Valuation techniques used in determination of fair valuation of financial instruments within level 2.

Debt securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

### 33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 June 2019 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	15,304,292	(10,153,225)	3,454,462	8,605,529
Inter segment revenue - net	(11,264,033)	10,690,727	573,306	-
Non mark-up / return / interest income	(936,389)	165,785	4,085,941	3,315,337
Total income	3,103,870	703,287	8,113,709	11,920,866
Segment direct expenses	(119,845)	(193,320)	(1,852,971)	(2,166,136)
Inter segment expense allocation	(2,137,513)	(251,219)	(1,773,723)	(4,162,455)
Total expenses	(2,257,358)	(444,539)	(3,626,694)	(6,328,591)
Provisions	(31,720)	1,202	137,375	106,857
Profit before tax	814,792	259,950	4,624,390	5,699,132
<b>Balance Sheet</b>				
Cash & bank balances	1,147,241	47,179,260	37,868,464	86,194,965
Investments	399,404,724	-	-	399,404,724
Lendings to financial institutions	21,148,260	-	-	21,148,260
Advances - performing	-	3,412,664	269,103,696	272,516,360
Advances - non-performing	-	7,633	16,806,362	16,813,995
Provision against advances	-	(12,975)	(16,402,747)	(16,415,722)
Net inter segment lending	-	284,200,661	-	284,200,661
Others	9,153,108	50,929	50,016,802	59,220,839
Total assets	430,853,333	334,838,172	357,392,577	1,123,084,082
Borrowings	109,604,793	-	41,069,232	150,674,025
Subordinated debt	-	-	-	-
Deposits & other accounts	-	330,250,211	261,759,113	592,009,324
Net inter segment borrowing	283,557,717	-	642,944	284,200,661
Others	147,511	4,587,961	53,921,288	58,656,760
Total liabilities	393,310,021	334,838,172	357,392,577	1,085,540,770
Equity	37,543,312	-	-	37,543,312
Total equity & liabilities	430,853,333	334,838,172	357,392,577	1,123,084,082
Contingencies & commitments	328,079,236	-	168,190,064	496,269,300

**30 June 2018 (Un-Audited)**

	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	11,549,513	(1,421,635)	(2,343,976)	7,783,902
Inter segment revenue - net	(9,661,136)	2,065,473	7,595,663	—
Non mark-up / return / interest income	(175,114)	105,411	3,197,417	3,127,714
Total income	1,713,263	749,249	8,449,104	10,911,616
Segment direct expenses	(95,118)	(50,773)	(1,834,736)	(1,980,627)
Inter segment expense allocation	(2,243,770)	(58,485)	(1,452,441)	(3,754,696)
Total expenses	(2,338,888)	(109,258)	(3,287,177)	(5,735,323)
Provisions	(24,481)	(3,300)	(401,356)	(429,137)
Profit before tax	(650,106)	636,691	4,760,571	4,747,156

**31 December 2018 (Audited)**
**Balance Sheet**

Cash & bank balances	907,449	24,672,447	23,712,670	49,292,566
Investments	346,665,904	—	—	346,665,904
Lendings to financial institutions	11,984,795	—	—	11,984,795
Advances - performing	—	3,167,829	222,402,571	225,570,400
Advances - non-performing	—	6,649	17,673,258	17,679,907
Provision against advances	—	(11,773)	(16,548,917)	(16,560,690)
Net inter segment lending	—	254,934,343	57,085,986	312,020,329
Others	12,529,588	52,983	26,180,328	38,762,899
Total assets	372,087,736	282,822,478	330,505,896	985,416,110
Borrowings	19,457,589	—	31,889,792	51,347,381
Subordinated debt	—	—	—	—
Deposits & other accounts	—	279,208,331	264,369,179	543,577,510
Net inter segment borrowing	312,020,329	—	—	312,020,329
Others	3,607,862	3,614,147	34,246,925	41,468,934
Total liabilities	335,085,780	282,822,478	330,505,896	948,414,154
Equity	37,001,956	—	—	37,001,956
Total equity & liabilities	372,087,736	282,822,478	330,505,896	985,416,110
Contingencies & commitments	230,915,612	—	169,524,217	400,439,829

### 34. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationships with its holding company, subsidiaries, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

Contributions in respect of charge for employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries & allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

	30 June 2019 (Un-Audited)						
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Balances with other banks</b>							
In current accounts	157,116	—	64,260	—	—	—	221,376
<b>Investments</b>							
Opening balance	—	5,830,000	—	—	—	—	5,830,000
Investment made during the period	—	9,850,000	—	—	—	—	9,850,000
Investment redeemed / disposed off during the period	—	(9,900,000)	—	—	—	—	(9,900,000)
Closing balance	—	5,780,000	—	—	—	—	5,780,000
<b>Advances</b>							
Opening balance	—	31,606	2,787,011	115,507	—	—	2,934,124
Addition during the period	—	—	12,793,313	68,751	—	—	12,862,064
Repaid during the period	—	(31,606)	(12,249,542)	(8,113)	—	—	(12,289,261)
Closing balance	—	—	3,330,782	176,145	—	—	3,506,927
<b>Other assets</b>							
Mark-up / return / interest accrued	—	74,553	14,692	—	—	—	89,245
Prepayments / advance deposits / other receivable	—	—	13,562	—	—	—	13,562
	—	74,553	28,254	—	—	—	102,807
<b>Borrowings</b>							
Opening balance	8,823	—	—	—	—	—	8,823
Borrowings during the period	1,489	—	—	—	—	—	1,489
Settled during the period	(8,823)	—	—	—	—	—	(8,823)
Closing balance	1,489	—	—	—	—	—	1,489
<b>Deposits</b>							
Opening balance	396,056	972,640	16,227,022	163,874	731,175	3,661,606	22,152,373
Received during the period	6,567,482	62,950,572	881,195,546	1,375,638	1,687,237	4,825,231	958,601,706
Withdrawn during the period	(6,496,125)	(63,422,807)	(881,549,771)	(1,169,296)	(1,574,963)	(4,971,030)	(959,183,992)
Closing balance	467,413	500,405	15,872,797	370,216	843,449	3,515,807	21,570,087
<b>Other liabilities</b>							
Mark-up / return / interest payable	—	3,425	366,957	2,121	5,369	724,852	1,102,724
Management fee payable for technical and consultancy services*	163,731	—	—	—	—	—	163,731
Other payables	—	—	7,873	—	—	259,297	267,170
	163,731	3,425	374,830	2,121	5,369	984,149	1,533,625
<b>Contingencies &amp; commitments</b>							
Transaction-related contingent liabilities	—	—	8,183,769	—	—	—	8,183,769
Trade-related contingent liabilities	—	—	355,802	—	—	—	355,802
Commitment against operating leases	—	2,573	—	—	—	—	2,573
	—	2,573	8,539,571	—	—	—	8,542,144

\* Management fee is as per the agreement with the holding company.

## 31 December 2018 (Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Balances with other banks</b>							
In current accounts	112,023	—	44,688	—	—	—	156,711
<b>Investments</b>							
Opening balance	—	2,780,000	—	—	—	—	2,780,000
Investment made during the year	—	13,900,000	—	—	—	—	13,900,000
Investment redeemed / disposed off during the year	—	(10,850,000)	—	—	—	—	(10,850,000)
Closing balance	—	5,830,000	—	—	—	—	5,830,000
<b>Advances</b>							
Opening balance	—	—	1,702,532	172,585	—	—	1,875,117
Addition during the year	—	3,095,593	74,680,329	47,080	—	—	77,823,002
Repaid during the year	—	(3,063,987)	(73,595,850)	(104,158)	—	—	(76,763,995)
Closing balance	—	31,606	2,787,011	115,507	—	—	2,934,124
<b>Other assets</b>							
Mark-up / return / interest accrued	—	67,610	17,113	—	—	—	84,723
Prepayments / advance deposits / other receivable	—	—	6,293	—	—	—	6,293
	—	67,610	23,406	—	—	—	91,016
<b>Borrowings</b>							
Opening balance	—	—	—	—	—	—	—
Borrowings during the year	8,823	—	—	—	—	—	8,823
Settled during the year	—	—	—	—	—	—	—
Closing balance	8,823	—	—	—	—	—	8,823
<b>Deposits</b>							
Opening balance	731,705	1,081,972	21,085,764	168,539	675,958	2,379,959	26,123,897
Received during the year	8,548,305	116,852,558	1,648,137,753	600,685	2,393,366	6,066,469	1,782,599,136
Withdrawn during the year	(8,883,954)	(116,961,890)	(1,652,996,495)	(605,350)	(2,338,149)	(4,784,822)	(1,786,570,660)
Closing balance	396,056	972,640	16,227,022	163,874	731,175	3,661,606	22,152,373
<b>Other liabilities</b>							
Mark-up / return / interest payable	—	3,109	352,252	1,295	3,205	632,664	992,525
Management fee payable for technical and consultancy services*	115,344	—	—	—	—	—	115,344
Other payables	—	—	6,391	—	—	199,072	205,463
	115,344	3,109	358,643	1,295	3,205	831,736	1,313,332
<b>Contingencies &amp; commitments</b>							
Transaction-related contingent liabilities	—	—	7,531,999	—	—	—	7,531,999
Trade-related contingent liabilities	—	—	1,999,428	—	—	—	1,999,428
Commitment against operating leases	—	11,144	—	—	—	—	11,144
	—	11,144	9,531,427	—	—	—	9,542,571

\* Management fee is as per the agreement with the holding company.

## Transactions during the period

	For the half year ended 30 June 2019 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
<b>Income</b>						
Mark-up / return / interest earned	–	234,601	71,462	5,051	–	–
Fee and commission income	2,437	914	108,329	–	20	–
Rent income	2,808	2,120	–	–	–	–
<b>Expense</b>						
Mark-up / return / interest expensed	–	20,324	746,672	11,755	32,030	211,763
Commission / brokerage / bank charges paid	273	295	613	–	–	–
Salaries and allowances	–	–	–	252,000	–	–
Directors' fees and allowances	–	–	–	–	5,698	–
Charge to defined benefit plan	–	–	–	–	–	85,486
Contribution to defined contribution plan	–	–	–	–	–	96,826
Operating lease rentals / rent expenses	–	7,841	6,963	–	–	–
Insurance premium expenses	–	–	6,328	–	–	–
Maintenance, electricity, stationery & entertainment expenses	–	–	45,075	–	–	–
Management fee expense for technical and consultancy services *	202,554	–	–	–	–	–
Donation	–	–	7,960	–	–	–
Professional / other charges	–	–	1,564	–	–	–

\* Management fee is as per the agreement with the holding company.

## Transactions during the period

For the half year ended 30 June 2018 (Un-Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Income</b>							
Mark-up / return / interest earned	–	69,231	26,544	3,653	–	–	99,428
Fee and commission income	3,562	157	81,013	–	14	–	84,746
Rent income	2,808	2,955	–	–	–	–	5,763
<b>Expenses</b>							
Mark-up / return / interest expensed	–	12,846	520,930	3,780	15,667	122,526	675,749
Commission / brokerage / bank charges paid	632	–	599	–	–	–	1,231
Salaries and allowances	–	–	–	156,539	–	–	156,539
Directors' fees and allowances	–	–	–	–	6,648	–	6,648
Charge to defined benefit plan	–	–	–	–	–	73,839	73,839
Contribution to defined contribution plan	–	–	–	–	–	89,756	89,756
Operating lease rentals / rent expenses	–	15,582	6,533	–	–	–	22,115
Insurance premium expenses	–	–	5,738	–	–	–	5,738
Maintenance, electricity, stationery & entertainment expenses	–	–	36,278	–	–	–	36,278
Management fee expense for technical and consultancy services *	174,791	–	–	–	–	–	174,791
Donation	–	–	11,738	–	–	–	11,738

\* Management fee is as per the agreement with the holding company.



## 35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>10,478,315</u>	<u>10,478,315</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) capital	<u>34,909,214</u>	<u>34,037,880</u>
Eligible Additional Tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>34,909,214</u>	<u>34,037,880</u>
Eligible tier 2 capital	<u>1,384,053</u>	<u>976,755</u>
Total eligible capital (tier 1 + tier 2)	<u>36,293,267</u>	<u>35,014,635</u>
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	<u>263,387,704</u>	<u>229,288,756</u>
Market risk	<u>1,248,501</u>	<u>1,571,342</u>
Operational risk	<u>36,087,611</u>	<u>36,087,611</u>
Total	<u>300,723,816</u>	<u>266,947,709</u>
CET 1 capital adequacy ratio	<u>11.61%</u>	<u>12.75%</u>
Tier 1 capital adequacy ratio	<u>11.61%</u>	<u>12.75%</u>
Total capital adequacy ratio	<u>12.07%</u>	<u>13.12%</u>
<b>Minimum capital requirements prescribed by SBP</b>		
Common equity tier 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.90%	11.90%
The Bank uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	<u>34,909,214</u>	<u>34,037,880</u>
Total exposures	<u>1,002,356,206</u>	<u>825,364,543</u>
Leverage ratio	<u>3.48%</u>	<u>4.12%</u>
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	<u>317,868,861</u>	<u>317,763,854</u>
Total net cash outflow	<u>165,801,020</u>	<u>125,849,179</u>
Liquidity coverage ratio	<u>192%</u>	<u>252%</u>
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	<u>492,177,894</u>	<u>440,145,855</u>
Total required stable funding	<u>282,882,251</u>	<u>216,434,904</u>
Net stable funding ratio	<u>174%</u>	<u>203%</u>

### 36. ISLAMIC BANKING BUSINESS

The Bank is operating 31 (31 December 2018: 31) islamic banking branches and 219 (31 December 2018: 216) islamic banking windows at the end of the period / year.

	Note	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		3,343,631	3,340,608
Balances with other banks		–	–
Due from financial institutions	36.1	17,154,371	1,000,000
Investments	36.2	9,887,722	21,312,705
Islamic financing and related assets - net	36.3	21,051,009	17,715,168
Fixed assets	36.4	568,197	82,121
Intangible assets		–	–
Due from head office		1,241,435	1,056,134
Other assets		2,026,938	1,605,849
<b>Total assets</b>		<b>55,273,303</b>	46,112,585
<b>LIABILITIES</b>			
Bills payable		579,265	657,934
Due to financial institutions		2,779,895	1,864,574
Deposits and other accounts	36.5	46,474,756	38,684,214
Due to head office		–	–
Subordinated debt		–	–
Other liabilities	36.4	1,813,191	1,473,908
		51,647,107	42,680,630
<b>NET ASSETS</b>		<b>3,626,196</b>	3,431,955
<b>REPRESENTED BY</b>			
Islamic banking fund		3,004,001	3,003,472
Reserves		–	–
Surplus / (deficit) on revaluation of assets		10,266	(17,981)
Unappropriated profit	36.9	611,929	446,464
		3,626,196	3,431,955
<b>CONTINGENCIES AND COMMITMENTS</b>			
	36.6		

The profit and loss account of the Bank's islamic banking branches for the period ended 30 June 2019 is as follows:

	Note	Half year ended	
		30 June 2019	30 June 2018
		(Un-Audited)	
		Rupees in '000	
Profit / return earned	36.7	2,233,982	1,269,522
Profit / return expensed	36.8	(1,391,970)	(855,760)
<b>Net profit / return</b>		<b>842,012</b>	413,762
<b>Other income</b>			
Fee and commission income		72,800	68,018
Dividend income		—	—
Foreign exchange income		19,146	13,311
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		415	(22)
Other income		10,467	8,238
<b>Total other income</b>		<b>102,828</b>	89,545
<b>Total income</b>		<b>944,840</b>	503,307
<b>Other expenses</b>			
Operating expenses		332,699	292,201
Workers welfare fund		—	—
Other charges		85	107
<b>Total other expenses</b>		<b>332,784</b>	292,308
Profit / (loss) before provisions		612,056	210,999
Provisions and write offs - net		(127)	(9,150)
<b>Profit / (loss) before taxation</b>		<b>611,929</b>	201,849

## 36.1 Due from financial institutions

	30 June 2019 (Un-Audited)			31 December 2018 (Audited)		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	Rupees in '000					
<b>Unsecured</b>						
Musharaka	4,500,000	—	4,500,000	1,000,000	—	1,000,000
Bai-muajjal receivable from State Bank of Pakistan	12,654,371	—	12,654,371	—	—	—
	<u>17,154,371</u>	<u>—</u>	<u>17,154,371</u>	<u>1,000,000</u>	<u>—</u>	<u>1,000,000</u>

### 36.2 Investments by segments:

	30 June 2019 (Un-Audited)				31 December 2018 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Federal government securities:</b>								
– Ijarah sukuk	–	–	–	–	11,313,145	–	(26,794)	11,286,351
– Bai-muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
	3,608,688	–	–	3,608,688	14,921,833	–	(26,794)	14,895,039
<b>Non government debt securities</b>								
– Listed	5,469,285	–	4,334	5,473,619	5,537,142	–	3,805	5,540,947
– Unlisted	799,483	–	5,932	805,415	871,711	–	5,008	876,719
	6,268,768	–	10,266	6,279,034	6,408,853	–	8,813	6,417,666
<b>Total investments</b>	<b>9,877,456</b>	<b>–</b>	<b>10,266</b>	<b>9,887,722</b>	<b>21,330,686</b>	<b>–</b>	<b>(17,981)</b>	<b>21,312,705</b>

**30 June 2019**                      31 December 2018  
(Un-Audited)                      (Audited)  
— Rupees in '000 —

### 36.3 Islamic financing and related assets - net

Ijarah	375,998	398,097
Murabaha	5,971,349	5,906,879
Working capital musharaka	3,325,244	2,533,380
Diminishing musharaka	4,032,551	3,532,275
Istisna	707,659	1,029,204
Export refinance murabaha	452,709	497,902
Export refinance istisna	663,759	923,713
Al-bai financing	481,071	316,194
Advances against:		
Ijarah	164,578	123,988
Murabaha	831,656	349,302
Diminishing musharaka	1,203,926	596,470
Istisna	1,301,164	1,064,759
Export refinance murabaha	62,648	127,507
Export refinance istisna	1,319,540	326,288
Inventory related to		
Al-bai goods	381,141	240,116
Istisna goods	194,638	167,589
Gross islamic financing and related assets	21,469,631	18,133,663
Provision against non-performing islamic financing	(418,622)	(418,495)
Islamic financing and related assets - net of provision	21,051,009	17,715,168

## 36.4 Fixed assets and other liabilities

At 30 June 2019, fixed asset included right-of-use assets of Rs. 514,220 thousand and other liabilities included related lease liability of Rs. 510,956 thousand more fully explained in note 3.2.1.

## 36.5 Deposits

### Customers

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Current deposits	10,699,451	8,363,646
Savings deposits	17,988,564	18,287,455
Term deposits	10,400,920	10,834,638
	<u>39,088,935</u>	<u>37,485,739</u>

### Financial Institutions

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
Current deposits	12,072	2,054
Savings deposits	848,749	756,421
Term deposits	6,525,000	440,000
	<u>7,385,821</u>	<u>1,198,475</u>
	<u>46,474,756</u>	<u>38,684,214</u>

## 36.6 Contingencies and commitments

Guarantees	1,149,819	1,893,613
Commitments	3,335,895	3,362,786
	<u>4,485,714</u>	<u>5,256,399</u>

### Half year ended

30 June 2019 (Un-Audited)	30 June 2018

## 36.7 Profit / return earned on financing, investments and placement

### Profit earned on:

Financing	883,347	438,479
Investments	934,253	711,871
Placements	416,382	119,172
	<u>2,233,982</u>	<u>1,269,522</u>

## 36.8 Profit on deposits and other dues expensed

Deposits and other accounts	1,328,808	837,354
Due to financial institutions	28,491	18,406
Discount expense on lease liability against right-of-use assets	34,671	—
	<u>1,391,970</u>	<u>855,760</u>

	30 June 2019 (Un-Audited)	31 December 2018 (Audited)
	Rupees in '000	
<b>36.9 Unappropriated profit</b>		
Opening balance	<b>446,464</b>	283,058
Add: Islamic banking profit for the period	<b>611,929</b>	446,464
Less: Transferred to head office	<b>(446,464)</b>	(283,058)
Closing balance	<b>611,929</b>	446,464

### 37. GENERAL

**37.1** The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

**37.2** Corresponding figures have been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the revised forms of quarterly financial statements of the Banks' issued by the SBP through its BPRD Circular letter No. 05 of 2019. Further, incremental depreciation on surplus arising on revaluation of non-banking assets of Rs. 1,424 thousand (30 June 2018 : Rs. 1,424 thousand) earlier included in statement of comprehensive income has been included directly in the statement of changes in equity for a more appropriate presentation.

### 38. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on 22 August 2019 by the Board of Directors of the Bank.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**SOHAIL HASAN**  
Director

**TARIQ IKRAM**  
Director

**MOHAMEDALI R. HABIB**  
Chairman